

City of Detroit

CITY COUNCIL

IRVIN CORLEY, JR.
FISCAL ANALYST
(313) 224-1076

FISCAL ANALYSIS DIVISION
Coleman A. Young Municipal Center
2 Woodward Avenue, Suite 218
Detroit, Michigan 48226
FAX: (313) 224-2783
E-Mail: cc-fiscal@ci.detroit.mi.us

ANNE MARIE LANGAN
ASSISTANT FISCAL ANALYST
(313) 224-1078

TO: Delbert Brown, Director
Airport Department

FROM: Irvin Corley, Jr., Fiscal Analysis Director

DATE: May 5, 2006

RE: 2006-2005 Budget Analysis

24.

Attached is our budget analysis regarding your department's budget for the upcoming 2006-2007 Fiscal Year.

Please be prepared to respond to the issues/questions raised in our analysis during your scheduled hearing. We would then appreciate a written response to the issues/questions at your earliest convenience subsequent to your budget hearing. Please forward a copy of your responses to the Councilmembers and the City Clerk's Office.

Please contact us if you have any questions regarding our budget analysis.

Thank you for your cooperation in this matter.

IC:cyb

Attachment

cc: Councilmembers
Council Divisions
Auditor General's Office
Pamela Scales, Budget Department Director
Ron Chenault, Budget Department Team Leader
Roger Short, Chief Financial Officer-Mayor's Office
Kandia Milton, Mayor's Office

Airport (10)

FY 2006-2007 Budget Analysis by the Fiscal Analysis Division

Summary

The Airport is an Enterprise Fund Agency. The recommended 2006-2007 budgeted appropriations total \$6.5 million, which represents a \$2.9 million increase over the current fiscal year budget of \$3.6 million. The Department's net tax cost to the City is zero, which is the same as the current fiscal year budget. Operating appropriations and revenues are budgeted at \$1.5 million, a 58% decrease, which is primarily due to the elimination of the City's subsidy of \$2.6 million.

2005-2006 Surplus/Deficit

A net deficit of \$789,500 is projected for the Airport in fiscal year 2005-2006. The deficit is comprised of a surplus of \$1,768,500 in appropriations, which is due to savings in Professional and Contractual Services and Operating Supplies, and a deficit of \$2,558,000 in revenues, which is due to the elimination of the City's subsidy. The subsidy was eliminated in the June 2005 amendment to the 2005-2006 adopted budget because "the Airport has made significant progress in being self sufficient and based on their efforts will not require a subsidy."

Overtime

There is \$6,427 overtime in the 2005-2006 budget for the Airport. Through March 31, 2006, the Airport spent \$15,902 on overtime. For the 2006-2007 budget, the Mayor has recommended \$7,141 budgeted overtime.

Personnel and Turnover Savings

The Mayor recommends a net increase of three part-time maintenance positions.

There is no turnover savings expected in 2006-2007.

Following is information by appropriation comparing budgeted FY 2005-06 positions, March 31, 2006 filled positions and FY 2006-07 recommended positions.

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 3/31/2006</u>	<u>Mayor's Budget Positions FY 2006-07</u>	<u>Over/(Under) Actual to 05/06 Budget</u>	<u>Mayor's Recommended Turnover</u>
Airport (10):					
100010 Administration	3	4	3	1	\$ -
100020 Maintenance	0	8	3	8	\$ -
100030 Operations	2	2	2	0	\$ -
100040 Public Safety	0	0	0	0	\$ -
00223 Airport Operations	5	14	8	9	\$ -
10XXXX Worker's Comp.	0	0	0	0	\$ -

<u>Appropriation/Program</u>	<u>Budgeted Positions FY 2005-06</u>	<u>Filled Positions 3/31/2006</u>	<u>Mayor's Budget Positions FY 2006-07</u>	<u>Over/(Under) Actual to 05/06 Budget</u>	<u>Mayor's Recommended Turnover</u>
10XXXX Unmatched Positions	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>\$ -</u>
TOTAL	<u>5</u>	<u>14</u>	<u>8</u>	<u>9</u>	<u>\$ -</u>

Proposed Layoffs and Vacant Position Reductions

The 2006-2007 proposed budget requires no layoffs in the Airport. Overall, the Airport is gaining three Airport Service Worker positions.

Significant Changes in Funding by Appropriation

Appro. Program

00223 Airport Operations The Mayor's 2006-2007 Proposed Budget includes \$1,542,110 for Airport Operations. This is a decrease of \$2,115,217 from fiscal year 2005-2006.

The decrease is comprised of a decrease of \$2,207,301 in Administration and increases of \$29,683 in Maintenance and \$62,401 in Operations.

10280 Airport GO Bonds The Mayor's 2006-2007 Proposed Budget includes \$5,000,000 for Airport GO Bonds. This appropriation is for the sale of general obligation bonds for the Minitake Land Acquisition project.

Airport (10)

<u>Budgeted Professional and Contractual Services by Activity</u>	<u>FY 2005-06 Budget</u>	<u>FY 2006-07 Recommended</u>	<u>Increase (Decrease)</u>
Airport Operations	<u>\$ 10,000</u>	<u>\$ 59,201</u>	<u>\$ 49,201</u>
Total	<u>\$ 10,000</u>	<u>\$ 59,201</u>	<u>\$ 49,201</u>

Significant Revenue Changes by Appropriation and Source

Appro. Program

The Mayor's 2006-2007 Proposed Budget includes revenues of \$1,542,110 for Airport Operations. This is a decrease of \$2,115,217 from the fiscal year 2005-2006 budget.

The decrease is mainly to the reduction in Miscellaneous Contributions (the City's subsidy) of \$2,570,000 offset by net increases in Rental Revenues,

\$528,114, Other Concession Revenues, \$23,145, and the balance from Miscellaneous Revenues.

10280	Airport GO Bonds	The Mayor's 2006-2007 Proposed Budget includes revenue of \$5,000,000 for the sale of general obligation bonds. The Airport will use the revenue the Minitake Land Acquisition project.
-------	------------------	---

Issues and Questions

1. The budget shows a decrease of \$2.6 million in Miscellaneous Expenses in Airport Administration between fiscal years 2005-2006 and 2006-2007. What expenditures did the Airport expect to make in fiscal year 2005-2006 that will not be made in fiscal year 2006-2007?
2. What recent efforts have been made to bring a carrier to the Airport?
3. Will the City be responsible for paying back federal grant funds used to expand the runway if the City closes the Airport to air traffic?
4. What is the status of the transfer to a management contractor? If a RFP has gone out, please submit a copy of it to Council.

IC:AG